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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999), by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo (Serbia), from 1 September to 15 December 2007.

II. Kosovo future status process

2. During the reporting period, delegations from Pristina and Belgrade continued to attend talks on Kosovo's future status led by a "Troika" comprising representatives of the European Union, the Russian Federation and the United States of America. A final round of talks were held from 26 to 28 November, following which the Troika submitted its report to me on this period of further engagement between the sides, which I conveyed to the Security Council on 10 December (S/2007/723).

III. Political situation

3. On 17 November, elections were successfully held for: the Assembly of Kosovo; 30 municipal assemblies; and the new position of mayor for each of the 30 municipalities. The elections were organized under UNMIK's authority by Kosovo's Central Election Commission, in close cooperation with the Organization for Security and Cooperation in Europe (OSCE). Kosovo has now successfully held five sets of elections since UNMIK was established. The elections took place without incident following a generally fair and calm campaign period, and were confirmed by the Council of Europe to have been in compliance with international and European standards. The turnout for the elections was 42.8 per cent, lower than for the previous elections for the Assembly of Kosovo, which were held in 2004. This is

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in line with a trend of decreasing voter participation in Kosovo's elections in recent years.

4. The results of the elections for the Kosovo Assembly were certified by my Special Representative, Joachim Rücker, on 5 December. Twenty-three mayoral contests went to a second round of voting, which was held on 8 December. Municipal-level results were certified by 19 December. The Democratic Party of Kosovo won the Assembly elections with 34.2 per cent of the vote. On 12 December, President Fatmir Sejdiu nominated the leader, Hashim Thaçi, to form a Government. Consultations between the Democratic Party of Kosovo and other parties began the same day, and are expected to include meetings with representatives of all minority communities. The first session of the new Assembly of Kosovo must be held within 30 days of the announcement of certified results, that is before 4 January 2008.

5. The participation of Kosovo Serbs was disappointingly very low, only slightly exceeding the turnout in the elections of 2004. Of the approximately 2,300 in-person votes received by Kosovo Serb political entities running for the Assembly, none were cast in the three northern municipalities of Leposaviq/Leposavić, Zveçan/Zvečan and Zubin Potok. The authorities in Belgrade called for a boycott of the elections, and this was supported in many areas in Kosovo by local Kosovo Serb officials who refused to allow school buildings to be used as polling stations, forcing UNMIK to provide mobile polling centres instead. There were also reports of intimidation of candidates and voters throughout the campaign. Several political entities representing established political parties in Serbia that had registered to run in the elections withdrew from the campaign, reportedly under pressure. The assessment of my Special Representative is that these incidents played a major part in ensuring a low Kosovo Serb voter turnout.

6. Most of the Kosovo Serbs who voted live south of the city of Mitrovica. This fact underscores the differences between the population of northern Kosovo, which is inhabited by a majority of Kosovo Serbs, who, to a large extent reject being administered by Pristina, and Kosovo Serbs in the rest of Kosovo, who recognize the need for practical ties with the Kosovo Albanian majority. Six of the eight Kosovo Serb political entities that participated in the elections gained the 10 seats reserved for parties representing Kosovo Serbs in the Assembly of Kosovo.

7. While it is expected that these parties will participate in the Assembly and in the new Government, within which two ministerial posts are reserved for Kosovo Serbs, it would be premature to see their participation as representative of a fundamental shift in the general opinion among the Kosovo Serbian community in favour of integration in Kosovo's Provisional Institutions of Self-Government. Given the low voter turnout, and in order to ensure the implementation of elections results in Kosovo Serb-majority municipalities in northern Kosovo and in mixed municipalities with significant numbers of Kosovo Serbs, my Special Representative has put in place a solution that will ensure equitable representation for all communities. In the three northern municipalities affected by the boycott, the current municipal assemblies will continue on a provisional basis for a period of six months. In the two affected southern municipalities, Kosovo Serb representatives will be appointed to municipal assemblies in line with the proportion of the local population that their community represents.

8. Throughout the election campaign, the members of the Kosovo Unity Team remained engaged in the Troika-led negotiations on Kosovo's future status. While the Unity Team continued to attend the Troika-led talks, its representatives repeatedly stated that any further extension of talks would be unacceptable, stressing that a date for a declaration of independence for Kosovo, in coordination with the international community, should be quickly set after 10 December. This has raised further expectations in the Kosovo Albanian community that Kosovo will be independent in the near future. Public pressure on the new Government and Assembly to act swiftly to declare independence following the end of the period of engagement is high.

IV. Security

9. The overall security situation remained calm during the reporting period, with no major incidents. However, there were some notable incidents of an inter-ethnic nature, including shots fired at Kosovo Serb households and Molotov cocktails thrown at the Serbian Orthodox Church in Gjilan/Gnjilane. There were also incidents of criminal nature, including, most significantly, a bomb explosion in a restaurant in Pristina that killed two people and injured 11 others. During the run-up to elections, there were signs of tension. Two developments were of particular note: recurring protests demanding improved living conditions, and escalating rhetoric and propaganda by extremist groups.

10. Strikes and demonstrations protesting against poor living conditions, unemployment and education problems increased significantly in October and November. In one of the largest such demonstrations, held on 7 November, approximately 250 to 300 persons staged a peaceful protest outside the headquarters of the Kosovo Trust Agency in Pristina demanding unpaid wages and an immediate distribution to the employees of a share of the proceeds of privatizations carried out by the Agency. Other minor incidents, such as an act of vandalism against the offices of a political party in Prizren and several cases of bomb hoaxes which disrupted political rallies, occurred during the electoral campaign. However, political rallies during the electoral campaign were relatively small in size and were conducted peacefully. This was an indication that the electoral process, at least in part, absorbed frustration among Kosovo's population with socio-economic and political problems. Efforts by the Kosovo Albanian self-determination movement "Vetëvendosje" and other self-determination groups to galvanize public support against elections and against any negotiations with Belgrade yielded minimal results. Four hundred demonstrators participated in a march for independence and against the partition of Kosovo in Pristina on 10 October. Radical groups, such as the Albanian National Army, also called for a boycott of the negotiations. However, these calls had a negligible effect on the conduct of the elections, as well as on the results. Nevertheless, they succeeded in creating a tense atmosphere before election day, with members of both the Kosovo Albanian and Kosovo Serb communities fearing possible violent action by extremists.

11. Both Serb and Albanian illegal extremist groups, which had gained some notoriety during the previous reporting period, continued to engage in carefully orchestrated propaganda. Alleged members of the Serbian Tsar Lazar Guard and the Albanian National Army made several media appearances, purportedly featuring interviews with alleged commanders. The Albania National Army claimed that it

was "patrolling" in the north of Kosovo in support of the Kosovo Force (KFOR) to "defend" it from regular and extremist Serbian forces. A banned public gathering of Tsar Lazar Guard members in Mitrovica was prevented on 14 October by UNMIK and Serbian police, which barred a group of supporters from entering Kosovo. Even though these groups do not represent an immediate threat to security, their rhetoric calling for violence and their paramilitary appearance are cause for concern in all communities in Kosovo.

V. Rule of law

12. During the reporting period, there were significant developments in several important cases. Following the escape of seven inmates from Dubrava prison on 18 August, three of the escapees were arrested, two were killed in separate incidents in the former Yugoslav Republic of Macedonia, and two remain at large. An independent commission established to investigate the events leading up to the escape completed its preliminary inquiries, which will be incorporated into a report on the incident and made available in due course.

13. The trial of the leader of the "Vetëvendosje" self-determination movement, who is accused of organizing the 10 February demonstrations in Pristina, during which two protesters were killed and several more seriously injured, is scheduled to continue. On 19 December he was released from house detention and is expected to appear at the next trial session on 30 January 2008. Trials also continued in cases relating to the riots of March 2004. International prosecutors have thus far secured 15 convictions, while local prosecutors have secured 145. The newly established Kosovo Special Prosecutor's Office has secured convictions in two cases related to drugs and weapons, highlighting positive progress in capacity-building for local courts.

14. The UNMIK Department of Justice continued to work closely with the Ministry of Justice to ensure that civil service rules are followed and that priority areas such as witness protection and the Kosovo Special Prosecutor's Office continue to be developed. The Legal Aid Commission of Kosovo was officially inaugurated by a representative from the Prime Minister's office on 26 September, with the formal nomination of the Legal Aid Commissioner and eight Deputy Legal Aid Commissioners.

VI. Standards and European integration

15. There was steady progress in all substantive areas of standards implementation, as reflected in the technical assessment annexed to the present report (see annex I). The new draft European Partnership for Kosovo has recently been published by the European Commission and will be finalized in early 2008. The new Partnership will be accompanied by a new European Partnership action plan, which the Government will prepare by the end of April 2008. The Agency for European Integration within the Office of the Prime Minister has formulated proposals to reform reporting, implementation and coordination mechanisms in relation to integration within the European Union. The lead role of the Agency ensures full local ownership of the process and marks the successful merger of the standards process with the European integration process, which will continue to guide Kosovo.

16. The European Commission presented the 2007 progress report on Kosovo at a meeting of the Stabilization and Association Process Tracking Mechanism on 7 November. The report referred to the European Union enlargement strategy, which stressed the need to reach a status settlement for Kosovo without further delay in order to permit Kosovo's political and economic development and ensure regional stability. The report, published in the context of the enlargement package and representing an important instrument guiding Kosovo's reforms, provided a detailed overview on progress made by, as well as remaining challenges faced by, the Provisional Institutions in key political and economic fields.

VII. Economy

17. Kosovo's medium-term expenditure framework for 2008-2010 was adopted by the Government in September. The document outlines the macroeconomic framework and sector spending strategies for the Provisional Institutions in the medium-term and incorporates the recommendations of international financial institutions and major donors, such as the World Bank, the International Monetary Fund (IMF) and the European Commission. The framework is based on the Government's overarching objective, which is to achieve rapid, sustainable economic growth for the benefit of the people of Kosovo. It also reflects the Government's policy framework, which consists of several key areas that support economic development and encourage private investment. Priority sectors for public expenditure over the next few years are rule of law, energy, transport and education. In addition, within the framework, the Government foresees a targeted increase of public spending for specific social categories.

18. Thirty waves of privatization have been launched by the Kosovo Trust Agency to date, with 545 new companies derived from the sale of assets of 312 socially owned enterprises. The findings of a survey conducted by the European Agency for Reconstruction of a sample of 55 privatized manufacturing companies throughout Kosovo were encouraging. The survey found that the number of jobs created since the privatization of these companies had increased by 23 per cent, and that monthly sale revenues also showed an increase, of 26 per cent. The survey revealed that 6 per cent of all employees in the sampled companies came from minority communities and 20 per cent were women. However, weaknesses were evident in these companies, especially concerning management, planning, and knowledge of relevant market dynamics.

19. Through UNMIK, Kosovo continues to participate actively in the Central European Free Trade Agreement, the Energy Community and the South East Europe Transport Observatory. However, Serbia continues to block the integration of the Kosovo Transmission System Operator into the inter-Transmission System Operator compensation mechanism being set up under the umbrella of the South-Eastern European Energy Community. As a result, the Kosovo Transmission System Operator is not being compensated for energy transits through its network (the Serbian Transmission System Operator is receiving the funds), preventing it from adequately maintaining and upgrading the network.

VIII. Governance

20. On 16 October, UNMIK issued a regulation establishing the post of mayor and the direct elections of mayors by the inhabitants of each of Kosovo's municipalities. The number of municipalities, their competencies and the strength of municipal assemblies remained unchanged. The role of UNMIK's municipal representatives was also amended ex post facto to take into account the transfer of much of their earlier responsibilities in the field of finance and personnel management to local authorities.

21. Kosovo's Ministry of Health undertook measures to develop and streamline the managerial structure of the health-care system by abolishing regional offices and appointing the Executive Director of the University Clinical Centre of Kosovo. All secondary and tertiary institutions have thus been placed under the authority of the Ministry.

22. The Ministry of Environment and Spatial Planning, in cooperation with other concerned ministries and international agencies, began to address the issue of toxic and/or radioactive materials currently present in Kosovo. In Kosovo, there are 113 sites containing highly toxic and/or radioactive materials; of these, 10 require particular attention and constant monitoring.

IX. Decentralization

23. The Kosovo Government extended the mandate of the three pilot municipal units of Mamushe/Mamuša/Mamuşa, Junik and Djeneral Janković/Hani i Hotit in their current form until an eventual determination of Kosovo's status. The pilot municipal units prepared and submitted their budget proposals for 2008 to the Ministry of Finance and Economy and additional civil servants are being recruited. The Ministry of Local Government Administration is finalizing new draft laws on local self-government and on local elections, as well as on municipal boundaries and municipal incomes.

X. Cultural and religious heritage

24. The Reconstruction Implementation Commission moved ahead with works on nine Serb Orthodox Church cultural heritage sites. However, work on one church in Gjakovë/Djakovica was interrupted when municipal authorities claimed that proper licences had not been issued and workers on site were threatened by armed men. A total of 18 incidents involving religious sites were reported, of which only two were considered to be serious. In response, the Kosovo Police Service has increased surveillance of religious sites in all regions and, on 16 November, the Kosovo Government approved the allocation of €50,000 for additional security measures at the most vulnerable churches.

XI. Returns

25. The number of minority returns to Kosovo continues to remain disappointingly low, although some marginal improvements have occurred. More internally displaced persons returned to Kosovo between January and November 2007 than during the corresponding period last year. The United Nations High Commissioner for Refugees (UNHCR) estimates that, as of 30 November, 1,561 minority community members had returned in 2007, with the highest number of returns in the regions of Mitrovicë/Mitrovica and Gjilan/Gnjilane. The total number of minority returnees since 2000 is estimated at 17,697. Ten community development and stabilization projects to facilitate equitable integration of all communities and their members currently residing in Kosovo were completed, and another 40 are at various stages of implementation. From September to October, 110 individuals returned to the Roma Mahala district in Mitrovica, increasing the total to 436 individuals (92 families) who have returned there this year. Three returns projects, worth €1.95 million, were completed, leading to the return of 20 Kosovo Serb and Roma, Ashkali and Egyptian families to Lipjan/Lipljan in October, 20 Kosovo Ashkali, Circassian, Turkish and Albanian families to Vushtrri/Vučitrn in November and another 30 Kosovo Serb families to Lismir/Dobri Dub and Nakaradë/Nakarade (Fushë Kosovë/Kosovo Polje) in December.

26. Through a capacity-building project of the Ministry of Communities and Returns, managed by the European Agency for Reconstruction, severe shortcomings in the Ministry's internal financial management were uncovered. It was stressed that, without addressing these shortcomings, it would be difficult for the Ministry to make any further progress. The senior management of the Ministry is establishing strict financial controls with the assistance of a project team implementing the recommendations of an audit conducted earlier this year.

27. In a major step towards the creation of a comprehensive repatriation-related policy and operational framework, the Government approved a readmission policy, including operational procedures and a reintegration strategy to manage and support forced returnees or persons repatriated to Kosovo from host countries. This policy and the relevant procedures will facilitate smooth handover of readmission functions from UNMIK to the Ministry of Internal Affairs.

XII. Future international arrangements and transition

28. Discussions with international and local partners on preparations for a possible transition to future arrangements in Kosovo continued within the framework of existing transition working group structure, without prejudging the outcome of the future status process.

XIII. Observations

29. I welcome and am encouraged by the fact that the recent elections in Kosovo were conducted in a free and fair manner and in accordance with international standards. The successful holding of peaceful elections, which were organized within a shortened time frame and followed a campaign during which candidates acted in a respectful and restrained manner, was an indication of the maturity of

Kosovo's Provisional Institutions. It is important that this is followed by the smooth formation of a new multi-ethnic coalition Government.

30. The low participation of Kosovo Serbs in the elections was regrettable. The elections highlighted, once again, that many members of the Kosovo Serb community, particularly those living in northern Kosovo, do not feel represented by Kosovo's Provisional Institutions. They continue, instead, to depend on parallel structures for the provision of basic services, which are supported by the authorities in Belgrade.

31. Political representatives of the Kosovo Serb community, as well as the Belgrade authorities, need to encourage Kosovo Serbs to participate constructively and actively in Kosovo's institutional life. At the same time, Kosovo's Government and political leaders should continue to reach out to the Kosovo Serb and other minority communities.

32. I commend the Troika for its extensive efforts to facilitate intense and substantive discussions between Belgrade and Pristina on the status of Kosovo. With the presentation of its report on this four-month period of further negotiations, the Troika completed its mandate. Regrettably, substantial differences still remain between the parties.

33. Expectations in Kosovo remain high that a solution to Kosovo's future status must be found rapidly. As such the status quo is not likely to be sustainable. Should the impasse continue, events on the ground could take on a momentum of their own, putting at serious risk the achievements and legacy of the United Nations in Kosovo. Moving forward with a process to determine Kosovo's future status should remain a high priority for the Security Council and for the international community.

34. Uncertainty and a loss of forward dynamic in the future status process could create a risk of instability, both in Kosovo and in the wider region; as well as a potential risk to the safety of United Nations staff. The parties are urged to reaffirm and act upon their declared commitments to refrain from any actions or statements that could endanger peace, incite violence or jeopardize security in Kosovo and the region.

35. The United Nations, with the support of relevant international organizations, is committed to assisting Kosovo in the path towards sustainable stability. In this regard, I note the readiness of the European Union to play an enhanced role in Kosovo, as reflected in the conclusions of the European Council on 14 December. The European Union's growing institutional commitment to Kosovo is important, as is its continuing provision of a European perspective to Kosovo. The steady progress by Kosovo's Provisional Institutions in the implementation of standards is encouraging and should be further accelerated. The incorporation of the standards implementation process into the broader European integration process for Kosovo is also a welcome development. The continuous engagement of OSCE in Kosovo, in particular in ensuring the protection of minorities and respect for human rights, is also of critical importance.

36. I acknowledge the commitment of the North Atlantic Treaty Organization (NATO), expressed at the ministerial meeting on 7 December, that KFOR shall remain in Kosovo, that national force contributions, including reserves, will be maintained at current levels and with no new caveats and that NATO will respond resolutely to attempts to endanger the safety of any of the inhabitants of Kosovo.

37. My appreciation and gratitude go to my Special Representative, Joachim Rücker, and to the staff of UNMIK for their steadfast efforts and commitment to move Kosovo forward. I would also like to extend my thanks to the United Nations partners, KFOR, the European Union and OSCE, and to the United Nations agencies, funds and programmes and other contributors for their valuable support.

Annex I

Technical assessment of progress in the implementation of the standards for Kosovo

Prepared by the Special Representative of the Secretary-General for Kosovo, 30 November 2007

1. The elections and the status discussions were the main focus of the reporting period. Standards implementation within the framework of the European Partnership for Kosovo also continued, with the Agency for European Integration leading the process.

2. The new draft European Partnership for Kosovo, published by the European Commission on 6 November, will be finalized in early 2008. The Kosovo Government is planning to prepare a new European Partnership action plan by the end of April 2008. The action plan will become the next guiding document for standards implementation.

Functioning democratic institutions

3. The Council of Europe determined that Kosovo's elections were free and fair. The Central Election Commission certified 96 political entities (including 33 representing the Kosovo Serb community) out of 101 that applied. The process was conducted in an efficient and professional manner with the majority of political entities complying with the established rules and regulations. However, 17 out of the 33 Kosovo Serb entities asked to withdraw from the process before election day. In addition, 25,984 international and domestic observers were accredited.

4. Forty-two campaign financial disclosure reports were submitted. Political entities are subject to fines if they fail to submit such reports.

5. The participation of Kosovo Serbs in the election was very low and only slightly higher than it was in 2004. Of 107 planned polling centres, 54, including some mobile centres, were opened in Kosovo Serb areas. Following calls for a boycott of the elections by Belgrade authorities, school principals prevented their premises from being opened for polling stations.

6. An independent Elections Complaint and Appeals Commission was established in September by the Department of Justice to hear complaints and appeals related to the elections. The Commission is composed of five commissioners, two international judges and three local judges. It has received over 200 complaints and appeals since its establishment, of which over 140 have already been adjudicated.

7. According to the latest Government statistics, the Kosovo Civil Service stands at 73,268, with 31,990 at the central level. Minorities constitute 10.5 per cent at the central level and 12 per cent at the municipal level. Following Belgrade's call for Kosovo Serbs to choose between the Serbian and Kosovo payroll, most Kosovo Serb civil servants left the Kosovo payroll. Four hundred and sixty-two have since been reinstated at their own request and have received their accumulated salaries, which had been held in trust by the Provisional Institutions.

8. The Assembly of Kosovo adopted the Law on Rights and Responsibilities of Deputies, which includes provisions inconsistent with the constitutional framework. The Law on Personal Name and the Law on Personal Number were not promulgated because they violate Security Council resolution 1244 (1999).

9. Government data shows that women hold 35.7 per cent of overall civil service posts, but only 14.2 per cent at the decision-making level.

10. The Government finally allocated outstanding funds from the 2007 budget to the Anti-Corruption Agency. This enabled the Agency to launch recruitment of 20 staff. The implementation of the anti-corruption action plan is behind schedule in the areas of administrative, police and judiciary reform.

11. Following interviews that took place in October 2007, the Kosovo Assembly Commission short-listed three candidates for the position of Ombudsperson. However the process was annulled due to unsatisfactory selection procedures and the choice of candidates.

12. Mechanisms to ensure and monitor the implementation of the Law on the Use of Languages are in place. However, inadequate participation and representation of all linguistic communities in the Language Commission remain a concern. Seven out of nine administrative instructions required to implement the Law on the Use of Languages have been adopted.

13. A majority of municipalities have language units or translators, but the overall numbers recruited are too low and their competency insufficient. Official documents are made available in Serbian, but with some delays and inaccuracies. Language compliance remains minimal in northern municipalities (Zvečan/Zveçan, Zubin Potok, Leposavić/Leposaviq).

14. A previously licensed Roma-speaking radio started broadcasting in Prizren on 9 November. Out of 116 licensed broadcasters, 45 broadcast in minority languages.

15. Radio Television of Kosovo (RTK) covers 75 per cent of Kosovo with its terrestrial signal but its satellite programming, which transmits all minority language programmes, is available throughout Kosovo. Following the August 2007 announcement terminating the contract governing the collection of the Public Broadcasting Fee by the Kosovo Energy Corporation on behalf of RTK, the two companies have started discussing a limited extension of the fee collection.

16. After successful mediation efforts of the Organization for Security and Cooperation in Europe (OSCE), the Press Council of Kosovo convened its Board meeting in November 2007 marking its recovery from the June crisis.

Challenges ahead

17. The Assembly of Kosovo should review the Ombudsperson institution's last annual report, issued in July 2007, and take a more active role in implementation of its recommendations. A careful review of the selection process for a new Ombudsperson should be carried out.

18. All necessary administrative instructions concerning the use of languages need to be adopted and a public awareness campaign initiated. The Language Commission should be representative of all linguistic communities.

19. Publication of the Official Gazette remains inadequate. Detailed planning is needed to redress the backlog of unpublished legislation. Amendments promulgated by UNMIK should be fully incorporated in legal texts in their original version.

20. Despite the declaration of 2007 as the year of "Affirmative Action for the advancement of women in the Provisional Institutions of Self-Government", no measurable progress has been recorded to achieve gender equality in public administration. Much remains to be done to strengthen the organization and operation of gender equality structures both at the central and municipal levels. There is a great need to raise the level of public awareness of women's rights throughout Kosovo.

21. Preparations to transform the Internal Oversight Board into an autonomous body reporting directly to the Assembly of Kosovo must continue. Prompt implementation of the recommendations of the Board need to be ensured. The Senior Public Appointments Commission should resist the politicization of the senior levels of the civil service and continue providing checks on the process.

22. Radio Television of Kosovo needs a sustainable funding system. The second round of awarding grants to minority and vulnerable media is pending. Radio Television of Kosovo should ensure the prompt transfer of the 5 per cent fee for the Media Minority Fund.

Rule of law

23. Crime clearance rates remained comparable for all communities.

24. The Legal Aid Commission of Kosovo, an independent body responsible for the provision of free-of-charge legal assistance, was officially inaugurated on 26 September. Three minority staff were recently recruited with the aim of achieving 25 per cent minority representation.

25. On 8 November, two Kosovo Albanians were convicted for their criminal conduct during the March 2004 riots in Obiliq/Obilić. This conviction raised the number of defendants convicted in relation to the March 2004 riots to 30 in 15 cases handled by international prosecutors. Twelve defendants received prison sentences, 18 received suspended sentences and one defendant was acquitted. Of those convicted, five appeal cases involving 12 defendants have been announced or have started. The verdicts against the remaining 19 defendants are final. A further five defendants in one case are awaiting trial. Local prosecutors have brought over 300 criminal charges resulting in 145 convictions. Several more cases are under investigation.

26. The Kosovo Special Prosecutors Office concluded its first case on the offence of unauthorized purchase, possession, distribution and sale of dangerous narcotic drugs on 17 September, with a guilty verdict. An indictment was also confirmed in another case being handled by the Office, charging five persons with aggravated attempted murder and weapons offence following the shooting of the head of the Telecommunications Regulatory Agency and others.

27. Recent indictments for violation of the anti-money-laundering regulation recently occurred. Kosovo has made progress in establishing an anti-money-laundering/combating the financing of terrorism regime and is taking steps to

streamline the wide range of actors involved. The capacity of the Kosovo Police Service to investigate money-laundering cases has improved.

28. Minority representation of judges and prosecutors is 11.2 per cent (5 per cent Kosovo Serb) and 9.1 per cent (3.4 per cent Kosovo Serb), respectively. Female representation is 26.7 per cent for judges and 20.5 per cent for prosecutors. Minority representation of court staff is 11.8 per cent (8.1 per cent Kosovo Serb) and female representation is 42 per cent.

29. Minority representation within the Kosovo Police Service remained constant at 14.3 per cent (9.5 per cent Kosovo Serb) and within the Kosovo Correctional Service at 14.2 per cent (10.3 per cent Kosovo Serb). Female representation remains at 14.9 per cent in the Kosovo Police Service while it slightly decreased to 16.9 per cent in the Kosovo Correctional Service.

30. No professional judges ran as candidates in the last elections. However, 32 lay judges admitted to either being candidates or to being active members of political parties in violation of the code of ethics and conduct for lay judges. Investigations by the Judicial Inspection Unit are ongoing and suspensions will be recommended as appropriate.

31. The Prisoner's Personal Cash Account was transferred to the Ministry of Justice on 24 September as part of the ongoing transfer of executive functions of Dubrava Prison.

32. The Police Inspectorate of Kosovo, established in February 2007 to audit and inspect elements of the Kosovo Police Service, assumed responsibility for investigating all complaints against the Service as of 1 October.

33. A new police sub-station was established in the minority area of Magurë/Magura (Lipjan/Lipljan), raising the number of existing sub-stations to 21.

Challenges ahead

34. Further work is needed to effectively protect witnesses from intimidation.

35. The judicial system's inadequate resources continue to pose a significant challenge to professional human resources management in the courts and judiciary.

36. The law on courts should be finalized.

37. The Provisional Institutions should facilitate further transfer of responsibility for missing persons and forensics.

38. The Police Policy Unit within the Ministry of Internal Affairs should produce sound policies in the area of security and public safety to ensure the proper exercise of functional responsibilities by the Ministry and better coordination with the Kosovo Police Service Policy Analysis Unit.

Freedom of movement

39. No crimes related to freedom of movement were reported to the police during this period. However, Kosovo Serbs have expressed increasing security concerns as the Troika-led status discussions entered their final phase.

40. On 14 October, approximately 1,000 Serb pilgrims from Kosovo, Serbia and Montenegro participated in a religious feast in the Pejë/Peć Patriarchate, the largest

gathering at the Patriarchate in the last eight years. Many pilgrims also visited the Visoki Dečani Monastery without escort or the deployment of the Kosovo Police Service. On 24 November, an additional 2,000 Kosovo Serbs participated in the celebrations of St. Stephen's Day at the Visoki Dečani Monastery. This year's participation by pilgrims marks a record level: only 700 persons attended in 2005 and 1,400 in 2006.

41. The number of fixed positions of the Kosovo Force (KFOR) increased from nine to 24 owing to additional security measures implemented around cultural heritage sites during the elections. The additional checkpoints are now being scaled down. KFOR will continue to maintain 24-hour presence/protection in two minority localities in Obilić/Obiliq municipality occupied by 85 Kosovo Serbs.

42. The humanitarian transport service carries an estimated 32,000 beneficiaries on trains and 25,000 beneficiaries on bus lines monthly. The service is crucial for enabling minority access to essential services, institutions and opportunities.

43. The Humanitarian Transport Advisory Committee is not functioning, partly due to inadequate participation by the Ministry of Communities and Returns and partly due to delays in defining procedures for the selection of new routes. The fleet is ageing and there is a need to establish new routes, especially in return sites.

Challenges ahead

44. The Ministry of Transport and Communications should finalize the modalities for selecting new humanitarian transport routes, in consultation with the Ministry of Local Government Administration and the Ministry of Communities and Returns. Funds should be identified for the establishment of such routes.

Sustainable returns and the rights of communities and their members

45. Progress with several returns projects occurred during the reporting period: 20 families returned to a project implemented by the Ministry of Communities and Returns in Vushtrri/Vučitrn, 10 families returned to Klinë/Klina municipality, 20 families returned to Lipjan/Lipljan municipality while an additional 110 individuals have returned to the Roma Mahala district in Mitrovicë/Mitrovica bringing the total returns to the Mahala to 436 individuals for 2007.

46. An OSCE assessment of the planning and implementation process of municipal return strategies shows that further progress is needed in coordinating activities between central and local institutions and that there should be a greater involvement by representatives of the internally displaced community. Two municipalities, Dragash/Dragaš and Kamenicë/Kamenica, have prepared the 2008 municipal return strategies and only Istog/Istok has included funds for its implementation under the 2008 budget submission, even without finalizing its strategy.

47. Eighteen concept papers for returns/other initiatives worth more than €11.3 million were approved by the central review mechanism, chaired since last year by the Ministry of Communities and Returns. The current funding gap of €18 million for 23 multisectoral returns projects remains the most important obstacle to returns. Additional funding will be needed for individual returns and community development and stabilization projects.

48. The Provisional Institutions participated in all 38 "Go-and-See" visits carried out during this period, and municipal officials continue to provide public support to the returns process.

49. There has been no progress in the establishment of the long overdue database of internally displaced persons. However, with the support of the Office of the United Nations High Commissioner for Refugees (UNHCR), some progress was made in the establishment of the returnee database, although further efforts are needed from the Ministry of Communities and Returns before it can become operational.

50. In October, the Ministry of Education, Science and Technology launched a strategy on the integration of Roma, Ashkali and Egyptian students into Kosovo's educational system, which is a part of the overall strategy for development of pre-university education in Kosovo 2007-2017. The strategy foresees the inclusion of teaching in, and of, the Roma language.

51. On 22 November, Kosovo Serb village leaders from Badoc/Badovac, Çagllavicë/Čaglavica and Sushicë/Sušica met with Kosovo Energy Corporation to discuss payment of their electricity bills in exchange for an improvement in the local electricity supply. A follow-up meeting to discuss the terms and conditions of such an agreement is scheduled for 30 November.

52. In a major step to create a comprehensive repatriation related policy and operational framework, the draft readmission policy was approved by the Kosovo Government on 31 October and its standard operating procedures were also finalized. Furthermore, the Kosovo Government had earlier approved, on 10 October, the reintegration strategy to facilitate reintegration of repatriated individuals into Kosovo society.

53. Eighteen of the 27 concerned municipalities have submitted their third quarter report on fair-share financing. Only eight reporting municipalities (Deçan/Dečani, Kamenicë/Kamenica, Rahovec/Orahovac, Suharekë/Suva Reka, Shtërpcë/Štrpce, Shtime/Štimlje, Mitrovicë/Mitrovica and Prishtinë/Priština) have fulfilled or exceeded their quota compared to 11 for the same period in 2006.

Challenges ahead

54. Inter-ministerial coordination needs to be reinforced in the returns field, with the Ministry of Communities and Returns taking a stronger role in providing policy guidance to municipal institutions.

55. Municipalities should maintain written records of all complaints relating to access to public services which are received in their municipal offices in order to track and redress them effectively. The capacity of gender affairs officers should be strengthened to enable them to identify gender-based violations.

56. Guidelines should be issued to streamline time frames for the formulation of municipal reform strategies with the municipal budget planning process to ensure that funds for the implementation of such strategies are included in budget submissions.

57. The Ministry of Communities and Returns needs to establish sound procedures in conformity with relevant rules and regulations to combat current irregularities in administration and financial management.

58. The Ministry of Communities and Returns also needs to undertake steps necessary for the creation of a database of internally displaced persons and to dedicate additional resources to support the establishment of returnee databases at the municipal level.

59. The Ministry of Finance and Economy and the Ministry of Communities and Returns need to establish a firm deadline for the submission of the annual plan for minority projects and the fair-share financing reports and to plan sanctions for non-compliance.

60. All Kosovo ministries now have functioning human rights units but their overall coordination needs to improve. Seventeen municipalities have already established human rights units and all remaining municipalities should do the same. Structures identified to implement the Anti-Discrimination Law need to become operational.

61. Returns and community integration projects should be re-categorized under the medium-term expenditure framework to reflect the ongoing nature and continuity of the returns and reintegration process.

Economy

62. The Kosovo budget process is proceeding according to schedule. On 8 November, the Economic and Fiscal Council endorsed the draft Kosovo budget for 2008, totalling €1.027 billion. This is the first time that the budget has exceeded €1 billion. Current expenditure has been limited to €550 million, in compliance with the recommendations of the International Monetary Fund (IMF), and proposed capital expenditure has been increased from €200 million in 2007 to €350 million in 2008. The draft 2008 budget regulation is awaiting adoption by the Assembly.

63. Budget execution remains slow, with the Ministry of Finance and Economy reporting an overall spending rate of 64.5 per cent of annual appropriations by budget organizations up to November and a capital spending rate of 43 per cent of the annual budget during the same period.

64. In line with the recommendations of IMF, the Government has committed itself to reduce the number of civil service staff by 400 during 2008 and has rejected the draft Law on Pension and Invalidity Insurance due to the fiscal risks it posed.

65. Thirty waves of privatization have been launched by the Kosovo Trust Agency to date, with 545 new companies derived from the sale of assets of 312 socially owned enterprises. A total of 335 sales contracts have been signed and an additional 156 are pending signature.

66. As of 1 November, total privatization proceeds amounted to €345,271,484, €69,054,297 of which is owed to the eligible former workers of privatized enterprises. Of the second amount, €15,587,434 has already been disbursed to the Independent Union of Trade Unions, which distributes the proceeds to former employees.

67. The Kosovo Trust Agency Board of Directors has approved a total of 102 liquidations, with total proceeds amounting to €3,761,992. Seven new companies were withdrawn from tender due to lack of adequate cadastral records.

68. On 1 November, the Kosovo Trust Agency Board of Directors approved the incorporation plan for seven waste enterprises and three irrigation enterprises. This is the final phase in the incorporation of publicly owned enterprises in Kosovo.

69. The revenue collection figures for the Kosovo Energy Corporation for its third quarter of 2007 show some improvement, which can be attributed to better control of disconnections as well as an increase in metering. A total of 82.2 per cent of the energy available for sale was billed. Of the energy available that was billed, 94.4 per cent was collected. Overall, 77.6 per cent was collected from the energy available for sale.

70. A set of indicators for measuring tax compliance within the current system have been established. These indicators monitor trends in areas such as requests for value added tax (VAT) refunds and enforced collection. According to recent data, the number of requests for VAT refunds increased by approximately 300 per cent in the first half of 2007, while enforced collection increased by 95 per cent when compared to the same period in 2006.

Challenges ahead

71. The Kosovo Government needs to fully implement its commitments to IMF, including the need for stricter control, or revision of, eligibility criteria for basic pensions and other social benefits; an embargo on the introduction of any new social benefit schemes; the alignment of proposed legislation with available resources; and the commencement of detailed planning in order to implement the proposed reduction in public employment.

72. Budget organizations need to undertake immediate steps to implement the recommendations of the Auditor General regarding procurement and financial management practices.

73. The Tax Administration of Kosovo needs to further develop its systems to improve domestic revenue collection.

Property rights

74. Forty-eight decisions of the Housing and Property Claims Commission are pending implementation out of a total of 29,160 adjudicated cases.

75. While implementation of these decisions is ongoing, the most contentious decisions ran into problems during enforcement. In two recent cases in Klinë/Klina municipality and a third case in Deçan/Dečani, the Kosovo Police Service did not provide assistance to the Kosovo Property Agency in the execution of its decisions. These actions contravene the law on the final and enforceable character of the decisions of the Housing and Property Claims Commission. The Kosovo Property Agency is executing approximately 45 to 50 eviction orders per week and there has been a rise in the level of voluntary compliance with eviction decisions.

76. The Kosovo Property Agency has so far received 32,961 claims covering agricultural, commercial and residential properties. Over 90 per cent of claims have originated in Serbia, Montenegro and the former Yugoslav Republic of Macedonia, with claims coming from all communities. The claim intake will close on 3 December. The Kosovo Property Claims Commission has already issued decisions on 1,513 claims.

77. Implementation of the rental scheme for properties under the administration of the Kosovo Property Agency continues, with 2,617 holders of property rights including their property in the scheme. Under the scheme there have been 384 evictions implemented and 758 occupants currently paying rent, resulting in a total rental income of €373,240.

78. The digital immovable property rights register is fully functioning in 23 municipal cadastre offices.

79. The Ministry of Environment and Spatial Planning has appointed a new coordinator to ensure better coordination of the implementation of the standards.

Challenges ahead

80. Property rights-related legislative reform needs to continue. The draft Law on the Organization of Cadastral Institutions has been sent to the Government for further review. The draft Law on Housing and the draft Law on the Treatment of Illegal Construction are pending adoption by the Assembly of Kosovo. The draft Law on the Sale of Apartments and Tenure Rights needs to be harmonized with existing legislation on the Kosovo Trust Agency and the Kosovo Property Agency before it can be adopted by the Assembly.

81. Municipal authorities in Mitrovicë/Mitrovica are re-developing public lands in two former residential areas within the Roma Mahala district where long-established informal settlements by minority communities are present. This is adversely affecting the regularization of the settlement and emphasizes the need for a Kosovo-wide action plan on informal settlements.

82. A request for regularization of an informal settlement in Istog/Istok agreed between the municipality and the Kosovo Trust Agency is pending approval. The fact that the settlement comes within a proposed "protective zone" surrounding a Serbian Orthodox monastery might prevent its regularization and return of former inhabitants.

83. There are 10,724 property claims pending adjudication. The strategy to reduce the increasing judicial backlog of property claims needs to be implemented.

84. Municipalities need to adopt municipal development plans and Kosovo institutions need to prioritize spatial plans for special areas to prevent construction taking place in cultural heritage zones and sites of environmental value. Illegal constructions and uncontrolled urbanization projects remain widespread.

85. Concerns remain over the proper implementation of expropriations by Kosovo institutions.

Cultural heritage

86. The Reconstruction Implementation Commission has been meeting regularly since the resumption of its activities in July. The Commission has spent over €3 million so far and has requested a budget of €1.8 million for 2008. Works are expected to commence at six Serb Orthodox Church sites while tenders for five other sites are being processed for contracts.

87. There have been some setbacks due to the theft of newly installed lead from the roof of two sites in Prizren at the Church of the Holy Virgin Ljeviška and the

Church of Saint Kyriake; and at the Church of St. Nicholas in Prishtinë/Priština. All three sites have suffered similar thefts in the past. In another incident, reconstruction work in Gjakovë/Đakovica was stopped in November by the municipality, which cited lack of a license. The contractors at the site were also intimidated by three armed men who threatened to bomb machinery if the work continued.

88. The Kosovo Police Service recorded a total of 18 incidents targeting cultural heritage sites including vandalism, attempted arson and theft. Two persons were arrested and the cases are under investigation. Over 2,000 regular patrols and visits by the Kosovo Police Service to religious and cultural sites continue every week; the Service has also increased surveillance and patrolling of religious sites in all regions since November.

89. On 16 November, the Kosovo Government approved the allocation of €50,000 to provide additional security measures for the sites considered most vulnerable by the Serbian Orthodox Church. The Ministry of Culture, Youth and Sports also approved funding for the cleaning of two Jewish cemeteries in Prishtinë/Priština.

90. On 11 September, the Prime Minister signed an administrative instruction temporarily prohibiting construction in cultural and religious heritage protective zones.

Challenges ahead

91. The Reconstruction Implementation Commission needs the continued support of all stakeholders in order to conclude its undertaking by the end of 2008 as planned. Repeated incidents of theft from some reconstructed churches and other incidents continue to undermine the Commission's achievements. While improving security mechanisms is necessary, a more effective and sustainable solution would require that the churches be inhabited and functional.

92. Out of the seven subsidiary laws necessary for the implementation of the law on cultural heritage, only three have been drafted so far. The Ministry of Culture, Youth and Sports has finalized all sub-laws; however, a non-discriminatory policy for allocating funding for cultural heritage protection should also be defined in subsidiary legislation.

93. The Assembly of Kosovo must formally establish the Kosovo Council on Cultural Heritage and secure its budget.

94. The Provisional Institutions should continue to work on ways to ensure adequate protection of cultural heritage sites. The Ministry of Culture, Youth and Sports needs to complete the inventory of archaeological, architectural and moveable heritage and to establish a central database with public access.

95. The Belgrade-Pristina technical dialogue on cultural issues should be re-energized. In the interim, the existing mechanisms of the respective cultural coordinators should be reactivated.

Dialogue

96. On 3 October, the Government replaced the members of the dialogue working group on returns with a new five-member team, including one Kosovo Serb.

97. The missing persons working group continues to hold occasional ad hoc closed sessions, but with limited progress.

98. The energy and transport and communications working groups were inactive during the reporting period.

Challenges ahead

99. Efforts should be made to re-energize the dialogue working groups.

Kosovo Protection Corps

100. Minority representation within the Kosovo Protection Corps has remained steady throughout the reporting period. Of 2,906 active members, 6.6 per cent are from minority communities, of which 1.4 per cent are Kosovo Serbs.

101. Females continue to be represented at all levels of the Kosovo Protection Corps, though total numbers are relatively small at 3 per cent.

102. The Disciplinary Board dealt with seven individual cases during the reporting period, each of which resulted in dismissal for unauthorized absence. An amendment to the Disciplinary Code has been approved, empowering the Kosovo Protection Corps to temporarily suspend the pay of members who are absent without authority for more than seven days.

103. The Kosovo Protection Corps remains focused on developing and maintaining its operational capability. It continues to build on its demining capacity through ongoing training in order to license teams to handle larger-sized munitions. Ethnic minority outreach and humanitarian projects remain a priority task.

Challenges ahead

104. The Office of the Coordinator of the Kosovo Protection Corps and KFOR are working together on initiatives to maintain and enhance engagement with the Corps through activities which sustain its operations and preserve its public standing.

105. Following the audit of civil emergency preparedness currently under way by the United Kingdom Department for International Development, the role of the Kosovo Protection Corps in civil protection will need to be reinforced to develop effective capacity within the Provisional Institutions for civil emergency and crisis management.

Annex II

Police component of the United Nations Interim Administration Mission in Kosovo

(as at 30 November 2007)

Composition and strength of the police component of the United Nations Interim Administration Mission in Kosovo

Country	*Number*	*Country*	*Number*
Argentina	10	Malawi	4
Austria	22	Nepal	17
Bangladesh	27	Nigeria	20
Brazil	2	Norway	15
Bulgaria	49	Pakistan	176
China	15	Philippines	40
Croatia	13	Poland	135
Czech Republic	25	Portugal	4
Denmark	24	Romania	181
Finland	10	Russian Federation	45
France	49	Slovenia	15
Germany	146	Spain	12
Ghana	48	Sweden	37
Greece	9	Switzerland	9
Hungary	15	Turkey	131
India	82	Uganda	4
Italy	30	United Kingdom of Great Britain and Northern Ireland	61
Jordan	68	United States of America	238
Kenya	15	Ukraine	166
Kyrgyzstan	9	Zambia	10
Lithuania	6	Zimbabwe	17
Total			**2 011**

Composition of the Kosovo Police Service

(as at 30 November 2007)

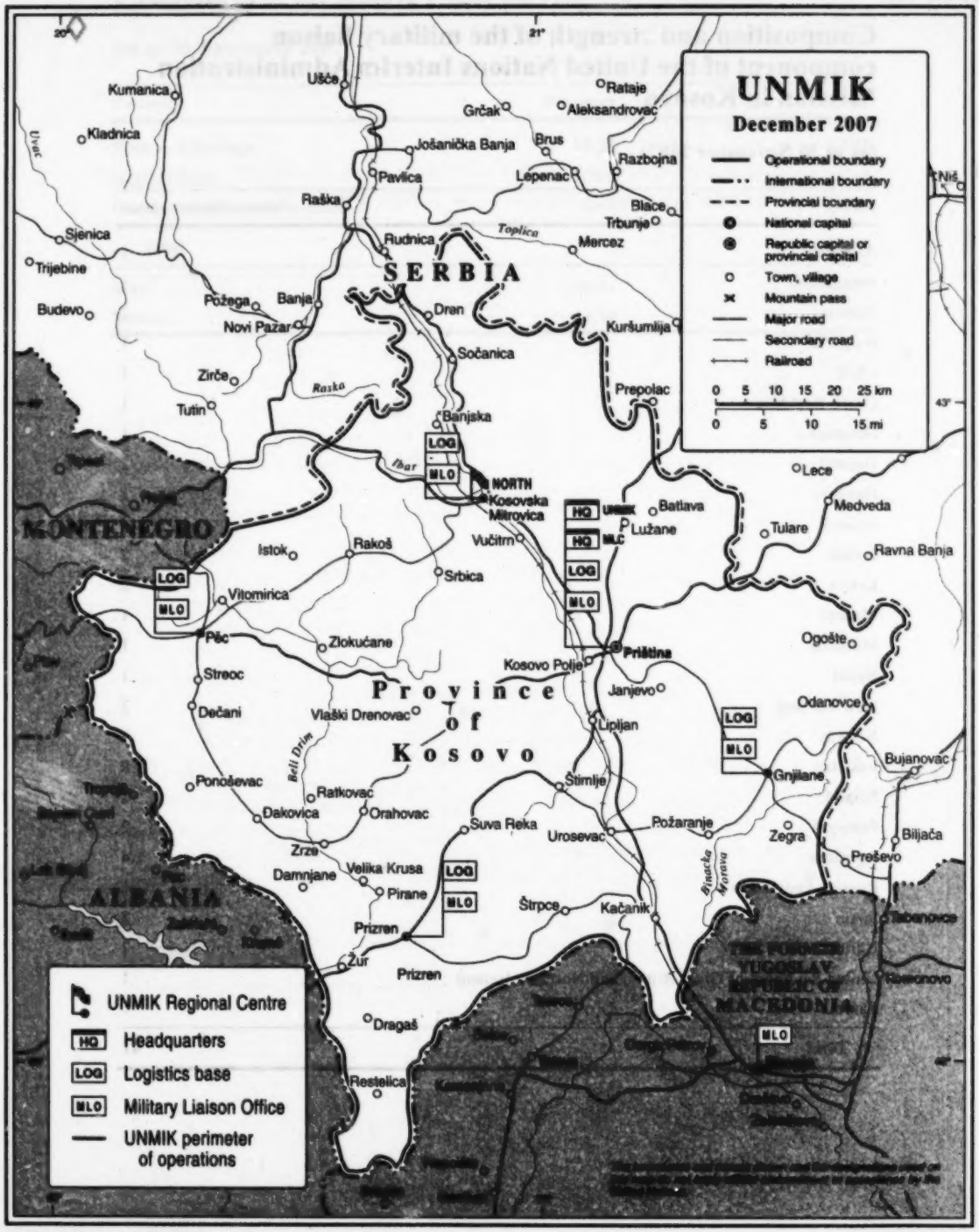
Category	*Percentage*	*Number*
Kosovo Albanians	84.37	6 041
Kosovo Serbs	10.00	716
Other ethnic minority members	5.63	403
Total		**7 160**
Men	86.41	6 187
Women	13.59	973

Annex III

Composition and strength of the military liaison component of the United Nations Interim Administration Mission in Kosovo

(as at 30 November 2007)

Country	*Number of liaison officers*
Argentina	1
Bangladesh	1
Bolivia	2
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	4
Jordan	2
Kenya	2
Malawi	1
Malaysia	1
Nepal	1
New Zealand	2
Norway	1
Pakistan	2
Poland	1
Portugal	2
Romania	4
Russian Federation	1
Spain	2
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
Zambia	1
Total	**41**



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